

FBI file
Admin fileIn reply refer to Initials
and No.NAVY DEPARTMENT
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON~~TOP SECRET~~

7 September, 1944

MEMORANDUM TO OP-20-G

Subj: Clandestine Radio Intelligence

1. "Clandestine" Radio Intelligence was originally considered to be intelligence produced by the solution of messages transmitted from clandestinely operated, i.e., unauthorized stations. In practice this definition has been found faulty. The term, as currently used, is considered to include transmissions from all stations within radio nets handling communications for enemy agents. It is often the case that many of the stations in such a net are located in Axis or Axis-occupied territory where their operation can hardly be considered clandestine. Practically all the transmissions of these so-called clandestine radio nets are communications of the German ABWEHR (Intelligence Service) and the SICHERHEITSDIENST (Hitler's Security Service). Occasionally however they transmit disguised diplomatic messages and in times of stress they may handle military communications. Alternatively clandestine traffic has been transmitted via commercial communication facilities under cover of commercial cable addresses, circuits which normally handle diplomatic communications have been known to handle clandestine messages and there is one case on record where a submarine control station broadcast clandestine messages disguised so as to appear to be naval communications. In view of the foregoing the writer is of the opinion that the only reliable guide to the classification "clandestine" is the identification of the cryptographic system. If a given class of traffic is found to be enciphered in what is known to be an ABWEHR or SICHERHEITSDIENST cryptographic system, the traffic should be classed as "clandestine" regardless of the channel of transmission.

2. At the present time, by the terms of an allocation agreement entered into by the Army, Navy and the F.B.I., the Navy is charged with the responsibility for processing clandestine traffic. This responsibility is shared with the F.B.I. in the Western Hemisphere.

3. As an introduction to a consideration of the present situation there follows a brief history of Clandestine Radio Intelligence, as viewed by the writer, since the first discovery of Clandestine transmissions by Coast Guard monitors.

~~TOP SECRET~~

- 2 -

4. PRE PEARL HARBOR In 1940 the Coast Guard had had for a number of years a small cryptanalytic section which was originally organized during the days of Prohibition for the solution of radio messages transmitted between smuggling vessels hovering off the coasts of the United States and clandestinely operated radio control stations located within the United States. A small group of Coast Guard radio-men intercepted the radio traffic processed by this section. By 1939 smuggling, on an organized basis, had practically disappeared. Consequently upon the outbreak of the war in Europe, in 1939, Coast Guard monitors were given assignments monitoring the radio transmissions of vessels suspected of violations of the neutrality laws a number of which were then enforced by the Coast Guard. Some of these men had as much as 5 to 10 years experience in identifying and copying transmissions from clandestine radio stations. Late in 1940 Coast Guard monitors began intercepting traffic from an unidentified source which had all the familiar earmarks of a clandestine station. Other monitors were assigned to cover these transmissions and, when the messages were solved, it was found that they contained what appeared to be military information from an unknown location in England. These solutions were transmitted to ONI, G2, State Department and the FBI and work was continued on additional related circuits which had been found in the process of monitoring the first circuit discovered. At this time the Coast Guard began receiving frequent requests from the FBI for assistance in the solution of certain classes of traffic most of which had already been intercepted by Coast Guard monitors. Solutions of additional systems and discovery of new circuits eventually led to the fairly complete reading of an extensive clandestine net spread over Mexico, Chile, and Brazil. By this time the FBI had organized a cryptanalytic section as a part of its Technical Laboratory and was participating in solutions and the FCC with its monitoring organization, which had been established for the suppression of illegal transmitting stations within the United States, had entered the clandestine field. In addition monitoring assistance was received from the Army in covering some of the links of the South American net. Some of these links operated on frequencies that could not be copied in the United States. The Army had a few monitors in Brazil who were assigned to intercept transmissions on these short range circuits. Until the ring was rounded up the Army was practically the only source for copy on South American circuits which could not be heard in the United States.

5. At the outset Coast Guard relations with the FBI were cordial. As the situation developed however it became increasingly evident that while the FBI was demanding everything the Coast Guard had, it was at the same time withholding information which would have been extremely useful to the Coast Guard. This led to a deterioration

~~TOP SECRET~~

- 3 -

of the initially friendly relations. This situation was not improved by the newspaper ballyhoo which attended the New York spy trials in June, 1941 and the similar situation at the time of the spy roundup in Brazil in March, 1942. In the latter case files of messages were read to prisoners during their interrogation and in one instance a prisoner was asked to assist in the translation of obscurely worded messages.

6. POST PEARL HARBOR Shortly before Pearl Harbor the Coast Guard had been transferred, by Executive Order, to the Navy. Following Pearl Harbor the Coast Guard continued its work in the clandestine field, the only change being that its output was disseminated through the channels of OP-20-G. Contact was maintained with the FCC and the Army on intercept activities and with the FBI on solutions.

7. Shortly after Pearl Harbor the Coast Guard was asked for an exchange of information with a representative of the British clandestine monitoring organization, RSS. Following this, weekly exchanges were made with the RSS representative. Some time later similar arrangements were made with the British representative of B.P.

8. The FBI took exception to the British RSS-Coast Guard weekly exchanges and, citing an agreement they had with the British Security Coordinator, to whose office the RSS representative was attached for administrative purposes, demanded that the British RSS man cease contacting the Coast Guard and deal with U.S. agencies only via the FBI. The British were forced to agree and for some time thereafter there was no exchange between the Coast Guard and RSS, to the detriment and dissatisfaction of both parties. Relations were continued however with the British B.P. representative because, apparently, he was attached to an administrative office not included in the FBI agreement.

9. Not long after Pearl Harbor cryptanalytic activities began to appear in FCC, the Office of Censorship and the OSS. The attention of these newly organized activities was centered not only on the clandestine field but on diplomatic and other categories of traffic as well. In an effort to confine such activities within the limits required by considerations of security a series of conferences were held, in compliance with a directive from the Joint Chiefs, by representatives of the Army, Navy, and FBI for the purpose of surveying the field of cryptanalysis and to allocate the various classes of traffic to specific agencies for processing. Prior to these conferences the Army and Navy representatives frankly expressed the hope that the FBI could be persuaded to retire from the field and agree to all such work being carried on by either

~~TOP SECRET~~

- 4 -

the Army or Navy. This hope could not however be realized and the best that could be attained was to confine the FBI to certain types of domestic transmissions and clandestine traffic in the Western Hemisphere. The Navy was assigned responsibility for processing clandestine traffic, jointly with the FBI in the Western Hemisphere and exclusively outside the Western Hemisphere. This allocation to the Navy was logical since the Coast Guard, a part of the Navy, was already doing the work and had acquired considerable experience in the field and had a force of monitors with several years of practice in locating and copying clandestine transmissions. This agreement concerning allocation was later approved by the President.

10. Some months after the severance of the British RSS contact with the Coast Guard the British expressed dissatisfaction with the information they received from the FBI and intimated that they would be forced to find some means of resuming contact with the Coast Guard. At this point the FBI proposed that the Coast Guard, RSS, FCC, and the FBI get together for a weekly discussion of clandestine monitoring problems. All parties agreed, with the understanding that they were each free to contact one another outside of these meetings if they so desired, and for some months thereafter weekly meetings were held at either Coast Guard Headquarters, the FBI Headquarters or in the offices of the FCC. Only Western Hemisphere monitoring problems were discussed at these meetings. It was the practice for Coast Guard and RSS representatives to hold a separate meeting later to discuss problems outside the Western Hemisphere. Since there were relatively few circuits in the Western Hemisphere and their changes from week to week were usually slight there was little to discuss at the meetings with FBI and FCC. Consequently, after these meetings had been held for a number of months it appeared that they were largely a waste of time and the Coast Guard and RSS decided to discontinue attendance. FCC was thereafter notified of such changes as did occur and FCC logs, copies of which were furnished to FBI, were thus kept current for the Western Hemisphere. Weekly meetings by the Coast Guard and RSS were continued, and all parties continued to receive FCC logs.

11. In December, 1942, arrangements were made for the establishment of a clandestine D/F and monitoring net in South America and the West Indies. The history of the negotiations preceding the organization of this net is not known in detail to the writer but it is assumed that representatives of the State Department, G-2, FBI and the office of the Coordinator of Inter-American Affairs participated. At any rate an agreement under

~~TOP SECRET~~

- 5 -

which the Army was to control the net, was entered into by the Army and the FBI. This agreement defined the individual responsibilities of the Army and the FBI regarding the location of stations, consultations to be held prior to taking action toward closing such stations, etc. This agreement was completed before the Navy was informed of what was taking place. When the provisions of the agreement were found to exclude the Navy, the service charged with responsibility for processing clandestine traffic, the agreement was redrafted, at the request of OP-20-G, to include the Navy in consultations in deciding the action to be taken toward closing down clandestine stations. The main feature of the first agreement, i.e., that the clandestine net would be administered by the Army, was rewritten into the new agreement.

12. The next development of importance was the solution by the Coast Guard, of ENIGMA traffic from a clandestine station in Argentina. Since the FBI regularly received copies of the Coast Guard solutions, the character of this new traffic was brought to the attention of OP-20-G for a decision on whether or not it, too, should be furnished to the FBI. It was decided that copies of the messages should not be furnished to the FBI, but it is the writer's understanding that the information contained in the messages continued to be furnished to the FBI by ONI in a summarized form which concealed the source of the information. Following on the heels of this decision an urgent dispatch was received from the British expressing apprehension for the security of ENIGMA solutions if this new Coast Guard material were to be furnished to the FBI. Since that time no ENIGMA solutions or solutions of systems directly linked with ENIGMA traffic have been furnished the FBI in verbatim form.

13. About a year ago Arlington Hall evidenced an interest in clandestine machine systems. G-2 made an agreement with B.P. in which the British agreed to furnish the Army full details on ABWEHR systems. This placed the Navy in a somewhat anomalous position in exchanging clandestine cryptanalytic information with the British since the British were given the impression that the clandestine field was an Army commitment. The attention of Arlington Hall was called to the situation and Arlington Hall expressed agreement with the Navy's views but indicated that they were under orders from G-2 to undertake certain research in the clandestine field. G-2 was advised that the Navy considered that the clandestine field was a Navy responsibility by the terms of the Army-Navy-FBI agreement

~~TOP SECRET~~

- 6 -

of June 30, 1941. G-2 replied that while that was so, G-2 did not consider that transmissions between stations located in Berlin and Rome for example should be classed as clandestine. This view did not however take into account the fact that the stations in Berlin and Rome were only part of a large net spreading to Turkey, Spain, and Portugal. Since G-2 stated that Arlington Hall was simply engaged in research, the matter was not pressed.

14. Recently, possibly because of a change of administration and a change of views in G-2, the Army has decided to abandon its research in the clandestine field. The Army has turned over to OP-20-GU all current material received from the British and has informed the British that the Army is not directly interested and has suggested to the British that such material be forwarded directly to OP-20-G.

15. In March, 1944 the FCC formally advised the Navy that, due to a reduction in its appropriation for the operation of the FCC Radio Intelligence Division it would no longer be able to supply the Navy with clandestine intercepts after April 5, 1944. This did not have the effect of a loss of any indispensable material since a great deal of the FCC copy was duplication and a few Coast Guard and Navy monitors stationed at Winter Harbor were able to supply any other material that would have been supplied by FCC. Since that time OP-20-GU has received no FCC intercepts but it is the belief of the writer that FCC continues to furnish clandestine intercepts to the FBI and to the British.

16. Some time ago the Army, possibly because of the lack of results with its clandestine net in South America, approached OP-20-G for assistance in manning three of their stations. Since it has always been the writer's opinion that the net should have been administered by the Navy in the first place, he recommended that Coast Guard personnel be assigned to man these three stations. This was done and Coast Guard monitors are now assigned to Ciudad Trujillo, D.R., Callao, Peru, and Quintero, Chile. This has resulted in increased results from the stations manned by the Coast Guard personnel. The Army now takes the view that this should have been a Navy project from the beginning and proposes that its other stations and the administration of the net be turned over to the Navy.

17. At this point it is desired to attempt an evaluation of Clandestine Radio Intelligence. The type of information transmitted by enemy agents depends largely on what happens to be available in places where they manage to establish themselves. As far as we know

~~TOP SECRET~~

- 7 -

they have never succeeded in establishing themselves, for any length of time at least, in the United Kingdom or the United States. Consequently their networks have been confined largely to Axis, Axis-dominated or Axis-occupied and neutral countries. From these countries they have been able in a number of instances to forward comprehensive shipping reports on arrival and departures of Allied Merchant vessels, reports from merchant seamen on Allied convoys sighted at sea some time prior to the report, political developments in countries in which they are located and in neighboring countries, and a miscellany of military information partly factual and partly distorted evidently pieced together from barroom conversations with merchant seamen, reports from visitors to the Allied territory, etc. In a high percentage of cases the existence of clandestine stations has been more of an Allied advantage than a source of danger. From this source we have learned such things as the following:

- (a) A former Argentine Minister of Marine was a German collaborator. An Argentine Naval Officer referred to as Chief of the Presidential Chancellery was a German collaborator. He was commissioned to organize an Argentine Intelligence Service for the purpose of "exchanging intelligence with Great Britain, Brazil and the United States." (Shortly after this Argentina requested U.S. assistance in locating clandestine stations in Argentina. Suspecting that this was a come-on the State Department was requested to refuse such assistance. It is interesting to note that an "Argentine Naval Lieutenant" recently received information from the Brazilians concerning clandestine stations in Argentina. The station was located seemingly without difficulty. It remains to be seen whether the closing of the station is a sincere effort to suppress this traffic or is merely a public gesture.)
- (b) The head of the Paraguayan Air Force was and presumably still is a German collaborator.
- (c) An Argentine consular officer, with the knowledge and consent of the Argentine foreign office was sent as a German agent on a mission to Europe. He was arrested by the British at Trinidad and removed from the ship in which he was taking passage.

Hollmuth.

~~TOP SECRET~~

- 8 -

- (d) Officers of Latin American countries about to visit the United States to attend military technical schools have been identified as German collaborators prior to their departure for the United States.
- (e) A Chilean officer who attended a Naval Gunnery School in the United States made a complete report on his instruction upon his return to South America. This report was transmitted to Germany.
- (f) Numerous couriers on Spanish Merchant vessels were precisely identified in dispatches reporting their departure, in sufficient time for the British authorities to be aware of their identity prior to their arrival at Trinidad.
- (g) The plans for the recent revolution in Bolivia were known from their origin and followed in detail over several months of preparation and negotiation with positive evidence of German direction and financing and the complicity of Argentine government officials.
- (h) Plans for a revolution in Chile with details on the identity of the conspirators were discussed at some length in clandestine messages. In this case the agents in Chile were arrested at about the time the revolution was scheduled to take place.
- (i) The recent case of German agents being landed in Argentina by a small sailing vessel was described in complete detail over a period of months of planning. //
- (j) After the arrival of the above agents in Argentina complete instructions regarding their missions in Chile and Brazil were intercepted from Germany. These instructions gave names and addresses of collaborators who were to be contacted in Brazil. //
- (k) Intimate details of political developments in South American countries and descriptions of negotiations and conferences between German agents and South American government officials have been revealed in clandestine traffic.

TOP SECRET

- 9 -

- (1) Messages from Germany asking for information on certain subjects, radar, anti-submarine devices, etc., threw considerable light on what information the enemy lacked.
- (m) In all cases the reading of these circuits provided assurance that if any serious leak of vital information did occur we would learn of it almost before it became known in Germany and would be in a position to provide immediate safeguards.

18. The above items are cited from Western Hemisphere traffic. Our processing of European traffic has been spotty due to lack of collateral traffic which could not be intercepted by our monitors. In Western Europe this has in some cases resulted in lack of complete details concerning transactions effecting the Western Hemisphere, since some of the details for such transactions were handled by messages between Berlin and Madrid. Such European messages as have been read reflect the same general picture as in the Western Hemisphere. It is the opinion of the writer that clandestine traffic should be ranked as of equal importance with diplomatic traffic, which it in many cases resembles and in some instances seems to supplant.

19. It is believed therefore that the reading of this traffic is of substantial importance to our national interests. If a large part of it is of no direct and immediate interest to the Navy and useful from the standpoint of Naval operations, it is none the less of importance to our government and should be processed.

20. From the nature of the traffic it can hardly be denied that it should be processed by either the Army or the Navy. The Navy is already doing the work, it has personnel experienced in this particular field and has the technical equipment to handle it expeditiously. It seems therefore logical to conclude that the Navy should continue to process it and to increase its present output as much as possible.

21. The clandestine field is at present undergoing some changes. With the recent closing of two stations in Argentina there has been an interruption in clandestine traffic between Germany and Argentina. We know however that at one time there were at least five stations

TOP SECRET

- 10 -

in Argentina so that, regardless of whether or not the present public stand of Argentina is sincere, we may hear from remaining stations in that country. There also remains to be heard from the recently landed agents destined for Chile and Brazil. It appears likely that they are still at large.

22. The picture is of course changing in Europe also. Circuits which once operated from such places as Paris and Bordeaux have either been discontinued or have turned over their operations to other centers such as Madrid or Hamburg. In addition there has been in existence for some time in France and the Low Countries a complete network of "clandestine" stations which appeared to handle nothing but drill messages. It has been assumed that this net was organized for use in sending reports from behind Allied lines during and after the invasion. How successful these stations will be in continuing in operation remains to be seen. In Spain, Portugal and the Straits of Gibraltar the operation of clandestine stations appears to continue as before. These are believed at present to comprise one net of about 18 separate links with a center at Madrid and a second net of 10 separate links with a center in Hamburg. It is likely that these circuits will continue in operation for some time. Whether or not they continue to operate as clandestine stations will depend largely on what changes in censorship regulations may take place in the near future. Should censorship regulations permit, the writer would expect considerable utilization of commercial facilities for forwarding reports now being transmitted by clandestine stations. It is unlikely that this type of traffic will be diverted to diplomatic channels for the following reasons:

- (a) Because it has only rarely been done in the past when diplomatic channels were available.
- (b) Because of the rivalry existing between the AEWEHR and SICHERHEITSDIENST and the diplomatic service.
- (c) Because of the German desire to avoid having the Foreign Office accused of engaging in underhanded practices.

There is also the possibility that the present clandestine networks may, following the defeat of Germany, be taken over by the Japanese. There is already some evidence that the Japanese are making plans for their own clandestine service in Europe after Germany is defeated. Should this prove to be the case, it may be expected that the information will be transmitted to Japan from some such center as Madrid via regular diplomatic channels. It seems highly

~~TOP SECRET~~

- 11 -

improbable however that the network of stations feeding information into the Madrid center would be operated by Japs. It could possibly be operated along its present lines by the same personnel in which case solution of the traffic on subordinate links would provide excellent clues for the solution of Jap Naval Attache systems which, indeed, has already found to be the case.

23. It is difficult in the face of so many possibilities to make any hard and fast prediction for the future. It seems desirable however to view all of the possibilities and, insofar as we are able without needless expenditure of personnel and equipment, prepare to face any or all of the possibilities. Such planning should admit rapid expansion if we find that we need it and contain a skeleton plan for the reduction of facilities which are no longer required.

24. As the basis for such planning the writer submits the following recommendations:

- (a) That we accept the Army proposal to take over the clandestine monitoring and D/F net in South America but we examine the desirability of replacing Army personnel in the stations involved. It would appear that personnel of the country concerned would be sufficient for continuing the functions of these stations and all that would be required would be liaison through Naval Attaches.
- (b) That we continue to man the stations in Recife, Brazil, Callao, Peru, Quintero, Chile, and Ciudad Trujillo, D.R., at least until the South American situation is definitely clarified.
- (c) That we continue in operation our station in New Smyrna, Florida.
- (d) That we consolidate our station at Southampton, Long Island with the present monitoring activity at Winter Harbor, either by greater use of Winter Harbor facilities, the rhombic antennas in particular, or by establishing a new combined location where rhombic antennas can be erected.

~~TOP SECRET~~


- 12 -

(e) That we establish a small monitoring unit in Europe, possibly [] where we can get coverage on subsidiary Western Europe circuits without being entirely dependent on the British, and plan tentatively to increase the size of this unit should it appear in the future to be a profitable undertaking. Alternatively we should plan to discontinue it as soon as a stabilized situation in Europe indicates that it is no longer required.

(f) That, if and when actual experience indicates that they are no longer required, we tentatively plan to discontinue our clandestine monitoring facilities in the following order:

- (1) Ciudad Trujillo, D.R.
- (2) Callao, Peru
- (3) Quintero, Chile
- (4) Administration of South American clandestine net.
- (5) Recife, Brazil
- (6) New Smyrna, Florida
- (7) Southampton-Winter Harbor

(g) That meanwhile, in order to permit fullest practicable utilization of the information contained in clandestine solutions, we endeavor to come to some workable understanding with the FBI and insure by consultation with ONI that the FBI receives all the information possible to give it without risk of compromising our work.


L. T. JONES
Commander, USCG

(b)(1)
(b)(3)-18 USC 798
(b)(3)-50 USC 403
(b)(3)-PL 86-36